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Final Report
on State Statutory Provisions Related to the
Funding of Municipal Retirement Systems and
Other Post Employment Benefits
January 31, 2006

Respectfully Submitted by
The Municipal POB/OPEB Working Group
to

The Honorable Denise L. Nappier
State Treasurer
Office of the State Treasurer

Robert L. Genuario
Secretary
Office of Policy and Management

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I. Summary of Findings and Recommendations

The Municipal POB/OPEB Working Group was established by the State Treasurer and the Secretary of the Office of Policy and Management to study State statutes that govern or have an impact on a municipality's ability to fund retirement systems and other post employment benefits (OPEB), including any State policies having an impact upon the fiscal integrity of such systems. The implementation of Government Accounting Standards Board (GASB) Statements 43 and 45 regarding the accounting and funding of OPEB are sure to be among the most significant financial and policy issues facing state and local government in the years to come. Since it has been almost 10 years since the authorization of pension obligation bonds (POBs), this was also an opportunity for state and local leaders to assess the experience of the State and municipalities with issuing POBs.

Municipal Pension Obligation Bonds

The Working Group's proposed substantive revisions to CGS Section 7-374c regarding the issuance of POBs are consistent with the GFOA's *Recommended Practice Funding of Public Employee Retirement Systems* (See Exhibit B). In particular, the changes would:

- Establish a fixed period of no more than 30 years for the amortization of unfunded actuarial accrued liabilities conforming to the parameters established by GASB for liabilities that arise after the issuance of the bonds.
- Require a municipality issuing POBs to meet the annual required contribution so that contributions collected by the pension plan are done so "on a timely basis so as to achieve the plan's stated funding policy". Furthermore, GFOA warns "reductions or postponements of the ARC violates one of the basic principles of level percent of payroll financing and constitutes a real threat to responsible funding". The proposed legislation requires "deemed appropriation" of such funds and prevents a failure of local political will from circumventing this requirement to include monies in the annual budget.
- Provide a revised definition of the annual required contribution allowing, for example, the amortization of short-term investment gains and losses thereby reducing funding requirement volatility and creating a more predictable operating budget than if those liabilities had to be funded immediately. This, according to GFOA, "enhances the government's ability to meet their funding obligations".
- Require that additional information be submitted by a municipality proposing to issue POBs in order to assist State policymakers in meeting their due diligence responsibilities under existing law. It would also allow them to craft a more informed and prudent review of the proposed POB issue, protecting the State's interest and that of all the State taxpayers in the maintenance of prudent municipal finance practices. It would also permit the Treasurer and the Secretary of OPM to retain an independent actuary to review the information provided by the municipality.

The Working Group noted the GFOA's recommendation that "state and local governments use caution when issuing pension obligation bonds...and ...before deciding to issue pension obligation bonds; a governmental entity should undertake a careful financial analysis".

Funding of Municipal Other Post Employment Benefits

While the Working Group has provided model enabling legislation for the issuance of OPEB bonds, it is the recommendation of the Working Group that the General Assembly not enact such legislation in its 2006 Session. Given the limited information available at this time on the scope of Connecticut municipalities' OPEB liabilities and the lack of experience nationwide with the efficacy of addressing OPEB liabilities through the issuance of bonds, the Working Group suggests that additional information be gathered during the course of the upcoming year and analyzed prior to the adoption of enabling legislation. The Working Group, however, does recommend a few legislative changes this Session, as follows:

- Make various revisions to State statutes clarifying and expanding on the statutory amendments adopted during the 2005 Session of the General Assembly with respect to municipal post-employment health and life benefit systems.
- Revise State statute regarding municipal retiree benefit reserve funds in order to facilitate the transfer of funds held in such reserves to pension, retirement and OPEB trusts, permitting municipalities to obtain the beneficial treatment for trust funds assets under applicable GASB Statements.
- Allow flexibility in the investment of assets for municipalities that determine to fund OPEB and pension/retirement system liability in whole or in part with reserve, rather than trust funds.
- Allow the transfer of assets of municipal retiree benefit reserve funds to OPEB trusts.
- Repeal the existing authority to fund such reserves with bond proceeds be in order to prevent the indirect creation of a mechanism to issue OPEB bonds without any State review.

II. Working Group Structure and Participation

The Working Group was co-chaired by Howard Rifkin, Deputy Treasurer and David LeVasseur, Under Secretary for Intergovernmental Policy of the Office of Policy and Management (OPM). The membership of the Working Group (see Exhibit A) included municipal officials, representatives of three state agencies, the Connecticut Government Finance Officers Association and the Municipal Finance Advisory Commission,

an actuary with many governmental clients, a municipal bond attorney and one of the State's investment consultants. The Working Group was supported by staff of the Treasurer's Office and OPM.

The Working Group met five times between September 2005 and January 2006. At its organizational meeting, members agreed that the charge of the Working Group would be the following:

- (1) to analyze the impact of CGS Section 7-374c which authorizes municipalities to issue pension obligation bonds under certain guidelines and conditions, including State oversight;
- (2) to determine and study any State policies or statutes having an impact upon the appropriate investment options for municipal pension funds;
- (3) to identify sound financial practices and options for municipalities to address the requirements of GASB Statements Number 43 and 45 regarding OPEB; including funding practices, investment practices and actuarial valuation methods that can be used to finance such OPEB; and
- (4) to issue a written report on the findings of the Working Group, including any State statutory and administrative changes recommended to improve the funding and investment practices used to finance municipal retirement and OPEB systems in Connecticut.

III. Process

In undertaking its work, the Working Group reviewed information provided by the State Treasurer's Office and OPM regarding the specific experiences of Connecticut municipalities that have issued POBs. The Working Group also reviewed articles and other written information issued by the rating agencies, the Government Finance Officers Association of the United States and Canada (GFOA), and other professionals in regard to funding retirement benefits and OPEB. In addition to the full Working Group, a number of meetings were held by a sub-set of the group to look at the specific issues under review in even further detail.

The Working Group was aided by the expertise of Althea Schwartz, of Milliman, Inc. actuary for the State Employees Retirement Fund and many Connecticut municipalities and that of Douglas Gillette, of Day, Berry & Howard LLP, a member of the Municipal Finance Advisory Commission and who serves as bond counsel to the State and various municipalities.

The Working Group first approached the issue of reviewing the statutory authorization for POBs and identified several areas of the law that needed revision. The members were sensitive to the intent of the law and wanted to make changes that would make it feasible for municipalities to comply with the statutory requirements while providing the State Treasurer and the Secretary of OPM with the necessary information to issue their advisory opinion and to monitor the status of the municipality's pension fund once the financing is complete.

In considering whether at this time municipalities should be given the authority to issue bonds for OPEB liabilities, and if so pursuant to what procedures, the members used the POB statutory authority as a framework for its review since many of the issues involved with OPEB bonds are likely the same as those that arise with respect to POBs. Finally, the Working Group discussed other related statutory changes, including providing explicit authority for municipalities to set up trust funds for pension/retirement benefits and OPEB, along with other changes that were technical or were required for purposes of clarification.

IV. Pension Obligation Bonds

Background

According to the Government Finance Officers Association Recommended Practice *Evaluating the Use of Pension Obligation Bonds*, as updated in 2005 (see Exhibit B), "the unfunded actuarial accrued liability (UAAL) for pension benefits or UAAL represents the difference between the present value of all benefits estimated to be payable to plan members as a result of their service through the valuation date and the actuarial value of plan assets available to pay those benefits. This amount changes over time as a result of changes in accrued benefits, pay levels, rates of return on investments, changes in actuarial assumptions and changes in the demographics of the employee base."

The existence of a significant unfunded liability in a municipality's pension plan can result from a municipality's failure to fund its pension plan each year from the start of the plan, from an increase in benefits to current members, from investment returns that are below the plan's actuarial assumption or changes in other actuarial assumptions. If an unfunded actuarial pension liability does arise, it can be eliminated or reduced over time if the local government makes the annual required contribution (or ARC). This payment represents the "normal" cost of the benefits provided and a past service payment that gradually funds the unfunded liability. Failure to fund in this fashion results in further increases in the unfunded liability.

One of the other options available to a governmental entity is the issuance of POBs. Put simply, issuing pension obligation bonds can result in savings for the plan sponsor if the interest rate paid on the bonds is less than the rate of return earned on proceeds placed in the pension plan. A decision to issue POBs should include a careful analysis of whether simply funding the ARC each year would be a more cost effective and predictable means of reducing an unfunded pension liability over time.

Ten years ago, in accordance with Public Act 96-245, a Task Force was commissioned to study the funding practices used to finance municipal retirement systems. It was established as a result of a growing concern about the increasing level of unfunded pension liabilities of Connecticut municipalities. The Task Force conducted a statewide survey of Connecticut's cities and towns regarding funding methods and practices of their retirement systems.

It found that 13 municipalities had funding levels of 40% or less and that these municipalities generally did not make contributions equal to the actuarially recommended levels. The Task Force recommended a statutory framework to allow municipalities to issue pension obligation bonds to provide better funding of plans under certain conditions.

Pension Obligation Bonds – the Current Authorization

As a result of the Task Force recommendations, the General Assembly adopted PA 97-182, authorizing the issuance of POBs. Over the past nine years four towns, Bridgeport, West Haven, Naugatuck, and New Britain (for MERS liability only) have issued POBs under this law. Prior to the law, two other municipalities (Stratford and New Britain) issued POBs under other legislative authority. Stratford created a pension reserve under CGS Section 7-403a and then issued bonds to fund its liability through that reserve pursuant to CGS Section 7-374b (b). New Britain obtained separate authority to issue its POBs (Special Act 96-6.) The subsequent passage of PA 97-182 prohibited the future issuance of POBs under any other legal structure.

Under current law, when a Connecticut municipality proposes to issue a POB, it must notify the Secretary of OPM and the State Treasurer of its intention to issue POBs and provide: (1) the actuarial valuation; (2) an actuarial analysis of the method to be used to fund the unfunded liability not to be addressed by the POBs; (3) an explanation of the municipality's investment strategic plan, including an asset allocation plan, related to the affected pension plan; (4) a three-year financial plan, including a plan of finance for the POBs and (5) documentation of the municipality's authorization to issue the POBs. The Office of Policy and Management and State Treasurer's Office are required to issue a written review including recommendations within 30 days of receiving the information and documentation. The POBs must then be issued within six months of the written review. Once the POBs are issued, and for so long as they are outstanding, the municipality must annually contribute to the pension plan the lesser of the annual employer normal cost or the recommended ARC established by the plan actuary. The municipality must also annually notify the Secretary of the recommended ARC and the amount of actual contribution to the pension plan.

In addition, the current law requires that the municipality maintain substantially the same plan funding ratio that existed immediately following the issuance of the POBs, even if that would require additional contributions above the mandated contribution described above. For example, if the funding ratio of plan assets to liabilities was 80 percent following the issuance of the POBs and an actuarial valuation a year later indicated that the funding ratio had dropped to 70 percent, the annual pension contribution in the upcoming fiscal year would need to be sufficient, in this example, to bring the funding ratio back to the 80 percent level. The annual required contribution in the current POB law could potentially cause significant fluctuations in the required contributions from year to year.

Municipalities Issuing POBs

In considering changes to the current law, the Working Group reviewed the financings of the municipalities that have issued the POBs to date pursuant to CGS Section 7-374c. A summary of financing data for the POB issues that have been completed to date is set out in Exhibit C. This includes both the municipalities issuing under CGS Section 7-374c and New Britain and Stratford that issued pursuant to other legislative authority.

The information available at this time appears to indicate that those municipalities issuing under the current law have maintained at least the funding ratio that was established at the time they issued the POBs. New Britain, which issued POBs pursuant to Special Act 96-6, has seen its funding ratio remain at or above the ratio that was initially achieved through the POBs. In regard to Stratford, which issued under CGS Section 7-403a, its funding ratio is below the level that was achieved following its issuance of POBs.

Since these few municipalities have issued their pension obligation bonds within the past five years and there are only one or two actuarial updates, members of the Working Group agreed that it is still too early to draw firm conclusions about the overall success or failure of these POB issues. However, some conversations with local municipal officials indicate that several years of lower than anticipated investment returns may make it difficult to maintain the post-issuance funding level percentage achieved following the issuance of the POBs, as required by CGS Section 7-374c.

Proposed Statutory Changes for the Issuance of Pension Obligation Bonds

In its review of the POB statute, the Working Group struggled with the issue of whether the current process of the Secretary of OPM and the Treasurer reviewing and commenting on POB applications from municipalities should be replaced, as some have suggested, with requiring a State approval of each POB request. In response to this question, the Working Group decided to recommend staying with the same fundamental framework of State review and comment on requests, while, at the same time, increasing the level of information and analysis required as part of the application and review process. The Working Group felt that making the transaction as transparent as possible at the State and local level and with the financial markets remains the most appropriate approach.

The Working Group has identified a number of issues or concerns with the current law and has proposed various statutory changes to CGS Section 7-374c with regard to: (1) the definition of the minimum annual required contribution to the pension plan following the issuance of POBs in order to make it more consistent with the GASB Statement 25 definition of ARC and to permit an amortization period of not more than 30 years; (2) the information required to be provided to the Secretary of the Office of Policy and Management and the State Treasurer for the initial review of the transaction; (3) the information required to be provided by the municipality on an on-going basis following the issuance of POBs;

and (4) miscellaneous changes for purposes of clarification or conforming to current practice. The proposed amendments to CGS Section 7-374c are set out in Exhibit D.

Annual Required Contribution (ARC)

The Working Group is recommending that for any municipality that issues POBs after July 1, 2006 (or for any municipality that had previously issued POBs under PA 97-182 and provided that the approval of the Secretary of OPM and the State Treasurer is obtained), the annual required contribution to the pension plan while the POBs are outstanding will be defined as that which is "established by the actuarial valuation and determined ... in a method and using assumptions...established by generally accepted accounting principles, provided that the amortization schedule used... shall be fixed and ... not longer than the longest of ... ten years, or ... 30 years from the date of issuance of the pension deficit funding bonds". The Working Group has suggested that in no event should a municipality be forced to amortize an unfunded liability over less than a 10 year period, even if that period would extend beyond the final maturity of the POBs.

Applying the revised annual required contribution allows a municipality the advantage of amortizing an unfunded liability over a number of years rather than the current requirement to maintain the same funding ratio that was achieved upon the deposit of the proceeds of the POBs. That requirement of current law could result in significant fluctuations in the municipality's contribution as a result of market conditions and other factors.

The Working Group is further recommending that CGS Section 7-374c be amended to require that a municipality choosing to issue POBs on or after July 1, 2006, annually appropriate sufficient funds to meet the annual actuarially required contribution, and if the municipality fails to do so, such amount shall be "deemed to be appropriated".¹

Additional Information to be Provided Prior to Written Review

Under the Working Group's recommendations, prior to the written review of the OPM and the Treasurer's Office, the municipality, in addition to the information currently required under CGS Section 7-374c, will also be required to:

- (1) Include the major assumptions utilized in the three-year financial plan;
- (2) Compare the effects of funding the unfunded liability through the issuance of pension deficit bonds with the funding of the obligation through the annual actuarially recommended contribution;
- (3) Provide a certified copy of the resolution or ordinance authorizing the issuance of the pension deficit bonds and agreeing to make the annual required contributions;
- (4) Provide the methodology and actuarial assumptions used to calculate the contribution; and

¹ Other provisions of the Connecticut General Statutes use a "deemed appropriated" mechanism to ensure that future financial commitments will be met (see, e.g., CGS Section 7-571(b) regarding deemed appropriation of funds to restore special capital reserve fund securing municipal deficit financing bonds) or that specific funds will be available for specified purposes (see, e.g., CGS Section 10-222a regarding deemed appropriation of payment and insurance proceeds for school materials and custodial services payments for use of school facilities).

- (5) Submit a draft Official Statement for the pension deficit bond issue.

It was also recommended that the Treasurer and the Secretary of OPM have the ability to hire an independent actuary to review the information provided by the municipality.

Post-Issuance Requirements

Another issue facing the Working Group involved the ongoing reporting requirements once POBs are issued. The Working Group, again in the interest of making these issues as transparent as possible, added some ongoing reporting requirements, most of which information municipalities need to obtain already based on GASB requirements. In addition, there were concerns as to the enforceability of the existing statutory requirement that municipalities issuing POBs under CGS Section 7-374c "meet any actuarially recommended contribution in each fiscal year". While the requirement to meet the ARC, as defined by the CGS Section 7-374c, will remain, the Working Group is recommending that a commitment to meet the ARC be adopted locally as part of a municipality's application, and that, as described above, once the POBs are outstanding, that funds to meet the ARC will be "deemed appropriated" even if the municipality fails to include funding in its annual budget. In this regard, the Working Group, as noted elsewhere in this report, is recommending a change to how the ARC is defined in 7-374c, which change should make it easier for most municipalities to meet the ARC year-to-year.

Information to be Provided Once the POBs Have Been Issued

The Working Group recommends that within 10 days following the sale of the POBs, the municipality must provide the Secretary of OPM and the State Treasurer with financing summary of the transaction, which will permit policy makers to compare the actual results of the POB issue and impact on pension plan funding with the assumptions set out in the preliminary materials submitted to the Secretary of OPM and the State Treasurer.

In addition, the municipality would be required to provide the Secretary and the Treasurer with any updated actuarial valuations of the pension plan and a statement of any changes that have been made in the actuarial assumptions and investment allocation plan compared to the previous actuarial valuation.

Miscellaneous Changes

The Working Group has suggested that CGS Section 7-374c be broadened to include regional school districts. Currently, regional school districts administer pension plans for non-certified employees and have the ability to issue debt. This proposed change would simply extend their ability to issue debt for unfunded pension liabilities. The Working Group has also suggested changes to CGS Section 7-374c to clarify the application of various provisions with respect to municipal entities without ordinance power or lacking a statutory definition of the position of chief executive officer.

V. Government Accounting Standards Board Statements 43 and 45 Concerning Other Post Employment Benefits: Implications for Connecticut's Municipalities

Background: GASB Statements 43 and 45 Regarding Other Post Employment Benefits (OPEB)

The Government Accounting Standards Board is responsible for setting standards for those governments that follow generally accepted accounting principles (GAAP). Connecticut municipalities, pursuant to State statutes, must follow GAAP. In June 2004, GASB issued Statement 45, which will require governmental entities to account for their OPEB within their financial statements in the manner similar to that currently required for pensions. OPEB plans include retirement benefits other than pension plans, with the major obligations and liabilities in this regard involving retiree health insurance benefits.

Under GASB Statement 43, issued in April 2004, governmental agencies that already have a separate trust to fund OPEB will need to undertake an actuarial valuation of their OPEB plans and include information from such valuations, including the unfunded liability related to OPEB plans, in the footnotes of their financial statements. One year later, governments will be required to comply with GASB Statement 45 by incorporating some of this information into their financial statements. Actuarial valuations will be required no less than every two years.

As indicated previously, GASB Statement No. 43 becomes effective one year prior to the effective date of GASB Statement No. 45. Implementation for both of these statements is required in three phases based on a government's annual revenues in the first fiscal year that ended after June 15, 1999. The statements will be effective for periods beginning after December 15, 2006. Phase 1 Governments (those with annual revenues of \$100 million or more) with fiscal years beginning July 1, must implement GASB Statement No. 45 in the fiscal year beginning July 1, 2007. Phase 2 Governments (those with annual revenues of \$10 million or more but less than \$100 million) with fiscal years beginning July 1, must implement GASB Statement No. 45 in the fiscal year beginning July 1, 2008. Phase 3 Governments (those with annual revenues of less than \$10 million) with fiscal years beginning July 1, must implement GASB Statement No. 45 in the fiscal year beginning July 1, 2009. Exhibit G sets out the GASB 45 implementation dates for Connecticut municipalities.

Current Status and Anticipated Future Impact of OPEB

Currently, most governmental entities pay OPEB expenses on a "pay-as-you-go" basis. Under GASB Statement 45, the liabilities attributable to OPEB plans and the accompanying Annual Required Contribution (ARC) will be actuarially determined. It is anticipated that the unfunded liability with regard to OPEB plans will be sizable. In its December 2004 article entitled *Reporting & Credit Implications of GASB 45 Statement on Other Post Employment Benefits*, Standard & Poor's indicated that, in many cases, the unfunded liability for OPEB plans will exceed that for pension plans.

It has been estimated that the annual ARC for OPEB plans will be two to six times higher than the annual "pay as-you-go-amount" now being spent by municipalities.

The size of the OPEB liability will vary greatly from municipality to municipality, depending to a great degree on the level of retiree benefits provided to active employees and retirees. A few municipalities have reserved some funds for these liabilities, and a number of municipalities are beginning to determine the size of their liabilities by undertaking actuarial valuations. However, for the most part, OPEB plans are largely unfunded, and the size of these liabilities has not yet been determined. In their July 2005 Special Comment with respect to OPEB issues, Moody's Investor Services also reports that governments, partially in response to GASB Statement 45, have already begun to take steps to reduce their OPEB costs, including seeking changes in employee agreements with respect to retirement benefits.

Under the GASB rules, municipalities that have set up a reserve fund for their OPEB liability are limited to a lower discount rate in determining their actuarial liability than if such funds are secured in a trust fund. The ability to use a higher discount rate would lower the annual ARC. This is an issue that the Working Group is seeking to address as part of its recommendations.

Credit Rating Implications of GASB Statements 43 and 45

Credit rating agencies have signaled that the reporting requirements under GASB Statements 43 and 45 are not likely to have an immediate impact on the ratings of governmental entities. There may, however, be future implications for credit ratings of governmental entities depending upon how they manage these liabilities. In its December 2004 article regarding OPEB referenced previously, Standard & Poor's wrote:

"Standard and Poor's will analyze any OPEB obligations in the same way it currently evaluates pension obligations. As unfunded actuarial assumed liabilities of public pension funds are considered in the rating process as tantamount to bonded debt of the fund's sponsors, the unfunded OPEB liabilities will be viewed in a similar way. Poorly funded pension plans, historically, have acted to constrain the credit quality of their sponsors. As part of the overall OPEB analysis, Standard & Poor's will include the implications of not only the total unfunded liability, but also how the annual required contribution is managed. For example, an increasing net OPEB obligation would be a negative rating factor, just as an increasing net pension obligation would be."

Moody's Investors Services, in a Special Comment regarding OPEB published in July 2005, indicated that the credit impact of OPEB liabilities will depend on the following factors: the size of the OPEB unfunded liability compared to the budget, tax base and other measures; the plan to amortize the unfunded liability; the actuarial assumptions utilized, including medical inflation; retirement benefits promised to current employees and retirees and the ability to modify such benefit offerings;

the impact of full funding on financial flexibility and strength; and the current credit assessment of the issuer based on a number of factors.

General Assembly Actions During 2005 Session

During the 2005 General Assembly session, proposals were submitted seeking changes to or a broadening of the State statutes as a means of addressing the issues raised by GASB Statements 43 and 45. One proposal was to change the investment limitations in CGS Section 7-403a(c), with respect to the investment of municipal loss and retirement benefit funds, to reflect the longer-term investment horizon related to OPEB plans. Another proposal sought to authorize the issuance of OPEB bonds utilizing the same framework found in CGS Section 7-374c for municipal issuance of POBs.

While the General Assembly did not approve the ability to issue bonds for OPEB liabilities, Public Act No. 05-202 was enacted and provides, in part, for the establishment of post-employment health and life benefit systems (without invalidating previous systems) and subjects post-employment health and life benefit systems to the same actuarial requirements as pensions or retirement systems. The challenges posed by GASB Statements 43 and 45 and the legislative proposals submitted during the 2005 Session helped provide an impetus for the establishment of the Working Group.

Discussion: Authorizing OPEB Bonds

The factors that must be considered when weighing the benefits and risks of issuing OPEB bonds to address unfunded liabilities are similar to those that must be analyzed when deciding whether or not to issue POBs. A particular challenge with OPEB bonds is determining the correct assumptions to use in projecting health care inflation into the future and the need to regularly review and evaluate these assumptions after the issuance of the bonds.

Some Working Group members have expressed their concern that, given the early stage of implementation of GASB Statements 43 and 45, it may be premature to enable municipalities to issue OPEB bonds. Most municipalities are just beginning the process of determining the size of their OPEB liability before fully developing their response to these issues. Related to that concern, the State has relatively limited experience, both in terms of number of issuers and time outstanding, to determine if POBs will be a successful in addressing the underfunding in municipal pension plans.

While there is not full agreement as to the timing of authorizing municipalities to issue OPEB bonds, there is full agreement among committee members that, if such authority were to be granted, it should use the framework provided by CGS Section 7-374c, the statute governing the issuance of POBs, provided that the changes recommended by the Working Group in regard to CGS Section 7-374c are incorporated into any such framework. Model legislation, which would enable municipalities to issue OPEB bonds, is set out in Exhibit E. It is not recommended that this legislation be introduced in the 2006 Session of the General Assembly.

Finally, while OPEB bonds may turn out to be an appropriate tool for certain municipalities, issuance of OPEB bonds most likely will not prevent major increases in annual costs associated with eliminating a large unfunded OPEB liability. If successful, OPEB bonds could potentially mitigate to some degree the annual budgetary impact of addressing a large unfunded OPEB liability; however, the total annual cost, including debt service on the OPEB bonds, is still likely to be two to six times the current “pay-as-you-go” amount referred to earlier.

Proposed Changes to Statutory Requirements Impacting Municipalities’ Funding of OPEB

The Working Group recommends the following changes to State statutes having an effect on municipal funding of OPEB. The specific language to implement these proposed changes is set out in Exhibit F.

CGS Section 7-403a – Loss and retiree reserve fund.

According to Fitch Ratings, “a critical element to making OPEB plans affordable and actuarially sound is GASB 45’s requirement that, in order for actuaries to permit the use of a long-term investment return assumption, governments must set aside plan assets in an irrevocable trust.” If funds are accumulated for OPEB but held in a reserve, for example, the investment return assumption is limited to a short-term rate or that which is consistent with general fund investments. “The higher the investment return assumption (discount rate), the lower the present value of future liabilities and the corresponding ARC will be.” Therefore, municipalities should be permitted to transfer assets of a retiree benefits reserve fund into a trust fund established to hold and invest the assets of a pension, retirement or other post employment life benefit system of the municipality. It is also recommended that the investment options available to reserve funds governed by this section be broadened, and further, that the percentage limits in each category of investments be clarified, in order to permit additional flexibility for municipalities that determine to fund OPEB and pension/retirement system liability in whole or in part with a reserve, rather than establishing a trust fund.

CGS Section 7-425 (1) and (2) – Definitions.

The section should be amended to clarify that regional school districts are included within the definition of “municipality” for purposes of the statutes regarding municipal retirement systems (CGS Chapter 113, Part II) and that for purposes of those provisions, the regional board of education acts as the district’s legislative body.

CGS Section 7-450 – Establishment of pension and retirement systems; amendment of systems established by special act.

The section should be revised to further clarify the authority of and the requirements to be met by municipalities to establish pension, retirement or post-employment health and life benefit systems. Specific guidance should be provided as to the method of establishing trusts, or participating in multi-employer trusts, to fund such systems.

In addition, the statutes should clarify that funds held in such trusts are to be invested in conformance with the statutory prudent investor rules generally applicable to trust funds, and not in conformance with the statutory investment restrictions applicable to other municipal funds.

CGS Section 7-450a- Actuarial evaluation of municipal pension systems.

Technical amendments should be adopted to address municipal entities already within the scope of the statute but that do not have ordinance power and to clarify that actuarial valuations for the plans of a multi-town district must be filed with the town clerks of each member town.

CGS Section 7-374b (b) – Issuance of Bonds to Fund Municipal Loss and Retiree Benefit Reserve Funds.

The funding of retiree benefit reserve funds should be eliminated as a permitted purpose for which municipalities are authorized to issue bonds. In the absence of such an amendment, the suggested revision permitting the transfer of retiree benefit reserve fund assets to plan trust funds would create a “loop-hole” permitting municipalities to indirectly fund OPEB trusts without any level of State review.² As indicated above, the Working Group believes that authority to issue OPEB bonds, if it were to be granted, should only be granted in a framework similar to Section 7-374c. The funding of loss reserve funds through the issuance of bonds would be retained.

² CGS Section 7-374c regarding the issuance of POBs explicitly provides that the issuance of bonds to fund pension deficits may only be done in conformance with that statute. Prior to the enactment of CGS Section 7-374c, the Town of Stratford, issued POBs pursuant to CGS Section 7-374b(b) to fund a retiree benefits reserve fund established under CGS Section 7-403a. Stratford’s most recent actuarial valuation indicates a funding ratio below that reflected in the first valuation following its issuance of the POBs.

Exhibit A

MEMBERSHIP OF THE WORKING GROUP

<u>Name</u>	<u>Representing/Title</u>	<u>Representation/Appointing Authority</u>
W. David LeVasseur	Office of Policy and Management	Secretary of OPM
Howard G. Rifkin	Office of the State Treasurer Deputy Treasurer	State Treasurer
Robert S. Dakers	Office of Policy and Management	Secretary of OPM
Catherine S. Boone	Office of the State Treasurer Assistant Treasurer, Debt Management	State Treasurer
Sarah K. Sanders	Office of the State Treasurer Debt Management	State Treasurer
Jill E. Ferraiolo	Office of the State Treasurer	State Treasurer
Jeffrey H. Smith	Town of Mansfield Director of Finance	Municipality with population <25,000
Diane M. Waldron	Town of Cheshire* Finance Director/Treasurer	Municipality with population 25,001-50,000
Alan J. Desmarais	Town of Manchester Director of Finance	Municipality with population >50,000
Douglas W. Gillette, Esq.	Day, Berry & Howard LLP	Municipal Finance Advisory Commission
Thomas Woodruff, Ph.D.	Office of the State Comptroller Director, Retirement & Benefit Services Division	Office of the State Comptroller
Althea Schwartz	Milliman, Inc.	Actuary – Secretary of OPM
Michael P. Walsh	Town of East Hartford Finance Director	CT GFOA
Daniel Schmitz	CRA Rogers Casey	Investment Consultant
Mary E. Finnegan	General Assembly Finance Committee Senior Committee Administrator	Sen. Eileen Daily and Rep. Cam Staples

* Ms. Waldron now serves as the Finance Director for the Town of Glastonbury.

Exhibit B

GFOA RECOMMENDED PRACTICES

Funding of Public Employee Retirement Systems (1994 and 2005)

Evaluating the Use of Pension Obligation Bonds (1997 and 2005)

Summary of Pension Obligations Bond Issues Completed in the State of Connecticut									
Municipality	New Britain	Stratford	Bridgeport	West Haven	Naugatuck				
Amount of POB Issued	\$105,000,000	\$95,000,000	\$350,000,000	\$67,000,000	\$49,000,000				
Date of Financing	Feb-98	Aug-98	Aug-00	Sep-02	Oct-03				
Enabling Legislation	SA 96-6	CGS 7-374b(b) and 7-403	PA 99-182	PA 99-182	PA 99-182				
	Financing Data	Financing Data	Financing Data	Financing Data	Financing Data				
Amortization of Bonds	29 years	20 Years	30 years	19.5 years	30 years				
Expected True Interest Cost (TIC)	7.83%	6.57%	7.92%	6.07%	5.97%				
Expected Return on Assets	9.00%	8.50%	9.32% - State recommended using 9.0% compound rate.	9.10%	8.00%				
Expected Cumulative Cash Flow Savings (nominal)	Approximately \$30 million in savings. Greatest savings in first year - \$4.2 million.	No information in file. Plan of finance was not reviewed by the State.	\$116 million (assuming the 9.32% return on assets.)	\$126 million of savings cited in application - high savings reflect years after bonds repaid.	\$23.5 million, no up-front savings.				
Plan Name	Police Plan	Employee Plan	Public Safety - Plan A	Police Plan	Employee Plan				
Date of Valuation 2 Years Prior to First POB Valuation	Apr-96	Jul-97	Jul-99	Jul-02	Jul-02				
Assets Value	\$15,267,000	\$29,227,225	\$1,653,000	\$17,362,000	\$26,331,481				
Actuarial Accrued Liability (AAL)	\$70,394,000	\$121,331,387	\$423,772,000	\$83,672,000	\$54,777,655				
Unfunded (overfunded) %	78.3%	75.9%	99.6%	79.2%	51.9%				
Date of First Valuation Subsequent to POB Issuance	Dec-99	Jul-99	Jul-01	Jan-04	Jul-04				
Assets Value	\$71,240,080	\$132,686,803	\$331,750,000	\$92,722,515	\$63,799,372				
AAL	\$61,910,520	\$131,638,044	\$386,186,000	\$90,703,954	\$63,276,653				
Unfunded (overfunded) %	-15.1%	-0.8%	14.1%	-2.2%	-0.8%				
Date of Latest Valuation	Mar-03	Jul-03	Jul-04	Jan-04	Jul-04				
Assets Value	\$69,758,000	\$137,110,345	\$293,358,000	\$92,722,515	\$63,799,372				
AAL	\$67,116,000	\$181,840,206	\$344,937,000	\$90,703,954	\$63,276,653				
Unfunded (overfunded) %	-3.9%	-17.5%	15.0%	-2.2%	-0.8%				

Exhibit D

**PROPOSED AMENDMENTS TO C.G.S. § 7-374c -- THE MUNICIPAL PENSION
DEFICIT FUNDING BOND ENABLING ACT**

Section 1. Section 7-374c of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2006):

(a) For purposes of this section:

(1) "Actuarial valuation" means a determination certified by an enrolled actuary, in a method and using assumptions meeting the parameters established by generally accepted accounting principles, of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a pension plan of a municipality as of a valuation date not more than thirty months preceding the date of issue of the pension deficit funding bonds, together with an actuarial update of such valuation as of a date not more than three months preceding the date of notification of the ~~s~~Secretary by the municipality, in accordance with subdivision (1) of subsection (c) of this section, of its intent to issue the pension deficit funding bonds.

(2)(i) "Actuarially recommended contribution" means the lesser of the annual employer normal cost or the ~~recommended~~ annual required contribution of the municipal employer to the pension plan of the municipality, ~~each of which is as~~ established by the actuarial valuation and determined by an enrolled actuary in a method and using assumptions meeting the parameters established by generally accepted accounting principles provided such contribution shall, ~~in a time and manner to be prescribed by regulations adopted by the secretary, in consultation with the Treasurer,~~ be at least equal to the amount actuarially determined necessary to maintain the pension plan's funding ratio substantially the same as immediately succeeding the deposit of the proceeds of the pension deficit funding bonds in such pension plan.

(ii) Notwithstanding the foregoing definitions, with respect to any pension deficit funding bonds (A) issued on or after July 1, 2006, or (B) issued prior to such date and with respect to which the municipality issuing the bonds requests and receives the approval of the Treasurer and the Secretary, "actuarially recommended contribution" means the annual required contribution of the municipal employer to the pension plan of the municipality, as established by the actuarial valuation and determined by an enrolled actuary in a method and using assumptions meeting the parameters established by generally accepted accounting principles, provided that the amortization schedule used to determine such contribution shall be fixed and shall have a term not longer than the longest of (X) ten years, or (Y) 30 years from the date of issuance of the pension deficit funding bonds. Any municipality receiving the approval of the Secretary and the Treasurer to apply this definition with respect to pension deficit funding bonds issued prior to July 1, 2006 shall thereafter comply with subdivision (3) of subsection (c) of this section.

(3) "Chief executive officer" means such officer as described in section 7-193 (i) for a municipality as described in section 7-188, such officer as described in section 7-193, (ii) for a metropolitan district, such officer as described in the special act, charter, local ordinance or other local law applicable to such metropolitan district, (iii) for a district, as defined in section 7-324, the president of its board of directors, (iv) for a regional school district, the chairperson of its regional board of education and (v) for any other municipal corporation having the power to levy taxes and to issue bonds, notes or other obligations, such officer as prescribed by the general statutes or any special act, charter, special act charter, home-rule ordinance, local ordinance or local law applicable to such municipal corporation.

(4) "Enrolled actuary" means a person who is enrolled by the Joint Board for the Enrollment of Actuaries established under subtitle C of title III of the Employee Retirement Income Security Act of 1974, as from time to time amended.

(5) "General obligation" means an obligation issued by a municipality and secured by the full faith and credit and taxing power of such municipality.

(6) "Legislative body" means (A) for a regional school district, the regional board of education, and (B) for any other municipality not having the authority to make ordinances, the body, board, committee or similar body charged under the general statutes, special acts or its charter with the power to authorize the issue of bonds by the municipality.

(7) "Municipal Finance Advisory Commission" means the Municipal Finance Advisory Commission established pursuant to section 7-394b.

(78) "Municipality" means a municipality, as defined in section 7-369 or a regional school district.

(89) "Obligation" means any bond or any other transaction which constitutes debt in accordance with both municipal reporting standards in section 7-394a and the regulations prescribing municipal financial reporting adopted by the sSecretary pursuant to said section 7-394a.

(910) "Pension deficit funding bond" means any obligation issued by a municipality to fund, in whole or in part, an unfunded past benefit obligation. "Pension deficit funding bond" shall not include any bond issued by a municipality pursuant to and in accordance with the provisions of subsection (g) of this section to pay, fund or refund prior to maturity any of its pension deficit funding bonds previously issued, or any bond issued prior to January 1, 1999, but may include any bond issued by a municipality prior to January 1, 1999, for the sole and exclusive purposes of (A) applying the provisions of subsection (f) of this section in lieu of subsection (c) of section 7-403a as the municipality may determine, and (B) requiring the municipality to apply and comply with the provisions of subsections (c) and (d) of this section.

(1011) "Secretary" means the Secretary of the Office of Policy and Management or the sSecretary's designee.

(1112) "Treasurer" means the Treasurer of the state of Connecticut or the Treasurer's designee.

(1213) "Unfunded past benefit obligation" means the unfunded actuarial accrued liability of the pension plan determined in a method and using assumptions meeting the parameters established by generally accepted accounting principles.

(1314) "Weighted average maturity" means (A) the sum of the products, determined separately for each maturity or sinking fund payment date and taking into account any mandatory redemptions of the obligation, of (i) with respect to a serial obligation, the principal amount of each serial maturity of such obligation and the number of years to such maturity, or (ii) with respect to a term obligation, the dollar amount of each mandatory sinking fund payment with respect to such obligation and the number of years to such payment, divided by (B) the aggregate principal amount of such obligation.

(b) Except as expressly provided in this section, no municipality shall issue any pension deficit funding bond.

(c) Any municipality which has no outstanding pension deficit funding bonds, other than an earlier series of such obligations issued under subsection (b) of section 7-374b or this section to partially fund an unfunded past pension obligation, may authorize and issue pension deficit funding bonds to fund all or a portion of an unfunded past benefit obligation, as determined by an actuarial valuation, and the payment of costs related to the issuance of such bonds in accordance with the following requirements.

(1) The municipality shall, within the time and in the manner prescribed by regulations adopted by the sSecretary or as otherwise required by the sSecretary, notify the sSecretary of its intent to issue such pension deficit funding bonds and shall include with such notice (A) the actuarial valuation, (B) an actuarial analysis of the method by which the municipality proposes to fund any unfunded past benefit obligation not to be defrayed by the pension deficit funding bonds, which method may include a plan of issuance of a series of pension deficit funding bonds, (C) an explanation of the municipality's investment strategic plan for the pension plan with respect to which the pension deficit funding bonds are to be issued, including, but not limited to, an asset allocation plan, (D) a three-year financial plan, including the major assumptions and plan of finance for such pension deficit funding bonds, prepared in the manner prescribed by the secretary, (E) documentation of the municipality's authorization of (E) a comparison of the anticipated effects of funding the unfunded past benefit obligation through the issuance of such pension deficit funding bonds, and (F) with the funding of the obligation through the annual meet any actuarially recommended contribution, prepared in the manner prescribed by the Secretary, (F) documentation of the municipality's authorization of the issuance of such pension deficit funding bonds including a certified copy of the resolution or ordinance of the municipality authorizing the issuance of the pension deficit funding

bonds and an opinion of nationally recognized bond counsel as to the due authorization of the issuance of the bonds, (G) documentation that the municipality has adopted an ordinance, or with respect to a municipality not having the authority to make ordinances, has adopted a resolution by a two-thirds vote of the members of its legislative body, requiring the municipality to appropriate funds in an amount sufficient to meet the actuarially required contribution and contribute such amounts to the plan as required in subdivision (3) of subsection (c) of this section, (H) the methodology used and actuarial assumptions that will be utilized to calculate the actuarially recommended contribution, (I) a draft Official Statement with respect to the issuance of the pension deficit funding bonds and (J) such other information and documentation, as defined in regulations, as is as reasonably required by the sSecretary or the Treasurer to carry out the provisions of this section. The Secretary and the Treasurer may, if they deem necessary, hire an independent actuary to review the information submitted by the municipality.

(2) Within ten days following the sale of the pension deficit funding bonds, the municipality shall provide the Secretary and the Treasurer with a final financing summary comparing the anticipated effects of funding the unfunded past benefit obligation through the issuance of the pension deficit funding bonds with the funding of the obligation through the annual actuarially recommended contribution, prepared in the manner prescribed by the Secretary.

(3) So long as the pension deficit funding bonds or any bond refunding such bonds are outstanding, the municipality shall (A) meet any actuarially recommended contribution infor each fiscal year of the municipality commencing with the fiscal year in which the bonds are issued, appropriate funds in an amount sufficient to meet the actuarially required contribution and contribute such amount to the plan and (B) notify the sSecretary annually, who shall in turn notify the Treasurer, of the amount and/or the rate of any such actuarially recommended contribution and the amount and/or the rate, if any, of the actual annual contribution by the municipality to the pension plan to meet such actuarially recommended contribution. On an annual basis, the municipality shall provide the Secretary and the Treasurer with: (A) the actuarial valuation of the pension plan, (B) a specific identification, in a format to be determined by the Secretary, of any changes that have been made in the actuarial assumptions or methods compared to the previous actuarial valuation of the pension plan, (C) the footnote disclosure and required supplementary information disclosure required by GASB Statement Number 27 with respect to the pension plan and (D) a review of the investments of the pension plan including a statement of the current asset allocation and an analysis of performance by asset class. With respect to a municipality which issues pension deficit funding bonds on or after July 1, 2006, in any fiscal year for which such municipality fails to appropriate sufficient funds to meet the actuarially required contribution in accordance with the provisions of this subsection there shall be deemed appropriated an amount sufficient to meet such requirement, notwithstanding the provisions of any other general statute or of any special act, charter, special act charter, home-rule ordinance, local ordinance or local law.

~~(3)~~(4) The municipality shall not issue pension deficit funding bonds prior to, nor more than six months subsequent to, receipt of the written final review required under subsection (d) of this section. A municipality may renotify the sSecretary of its intention to issue pension deficit funding bonds and provide the sSecretary with updated information and documentation in the manner and as described in subdivision (1) of this subsection, and request an updated final review from the sSecretary if more than six months will elapse between the receipt of the prior final review of the sSecretary and the proposed date of issue of the pension deficit funding bonds.

(d) Upon receipt of notification from a municipality that it intends to issue pension deficit funding bonds, the sSecretary shall inform the Treasurer and the Municipal Finance Advisory Commission of such notification. The sSecretary and the Treasurer shall review the information and documentation required in subsection (c) of this section and within fifteen days shall notify the municipality as to the adequacy of the materials provided and whether any additional information is required. The sSecretary and the Treasurer shall issue a written final review to the municipality verifying that the municipality has complied with the provisions of subdivision (1) of subsection (c) of this section and, including any recommendations to the municipality concerning the issuance of pension deficit funding bonds, not later than thirty days following the receipt of such information and documentation. The sSecretary shall file a copy of such final review with the chief executive officer of the municipality and the Municipal Finance Advisory Commission. If the sSecretary and the Treasurer fail to provide a written final review to the municipality by the forty-fifth day following the receipt of such information and documentation, such final review shall be deemed to have been received by the municipality.

(e) Except as otherwise provided by this section, the provisions and limitations of this chapter shall apply to any pension deficit funding bonds issued pursuant to the provisions of this section. Such pension deficit funding bonds shall be general obligations of the municipality, and shall be serial bonds maturing in annual or semiannual installments of principal, or shall be term bonds with mandatory annual or semiannual deposits of sinking fund payments into a sinking fund. Notwithstanding the provisions of any other general statute or of any special act, charter, special act charter, home-rule ordinance, local ordinance or local law, (1) the first installment of any series of pension deficit funding bonds shall mature or the first sinking fund payment of any series of pension deficit funding bonds shall be due not later than eighteen months from the date of the issue of such series, provided that such first installment shall mature or such first sinking fund payment shall be due not later than the fiscal year of the municipality next following the fiscal year in which such series is issued, and the last installment of such series shall mature or the last sinking fund payment of such series shall be due not later than thirty years from such date of issue, (2) any such pension deficit funding bonds may be sold at public sale on sealed proposal, by negotiation or by private placement in such manner at such price or prices, at such time or times and on such terms or conditions as the municipality, or the officers or board of the municipality delegated the authority to issue such bonds, determines to be in the best interest of the municipality, and (3) no municipality shall issue temporary notes in anticipation of the receipt of the proceeds from the sale of its pension deficit funding bonds.

(f) Proceeds of the pension deficit funding bonds, to the extent not applied to the payment of costs related to the issuance thereof, shall be deposited in the pension plan of the municipality to fund the unfunded past benefit obligation for which the bonds were issued, and, notwithstanding any limitations on the investment of proceeds received from the sale of bonds, notes or other obligations set forth in section 7-400, may be invested in accordance with the terms of said pension plan, as such terms may be amended from time to time.

(g) A municipality may authorize and issue refunding bonds to pay, fund or refund prior to maturity any of its pension deficit funding bonds in accordance with the provisions of section 7-370c or, with respect to a regional school district, the provision of section 10-60a, provided, notwithstanding the provisions of said sections 7-370c and 10-60a, the weighted average maturity of such refunding bonds shall not exceed the weighted average maturity of the outstanding pension deficit funding bonds being paid, funded or refunded by such refunding bonds. The municipality shall notify the secretary, who shall in turn notify the Treasurer, of its intention to issue refunding bonds pursuant to this subsection, not less than fifteen days prior to the issuance thereof, and shall provide the secretary with a copy of the final official statement, if any, prepared for the refunding bonds, not more than fifteen days after the date of issue of such bonds.

(h) The secretary, in consultation with the Treasurer, shallis authorized to adopt regulations, in accordance with the provisions of chapter 54, as necessary to establish guidelines concerning compliance with the provisions of subsections (c), (d) and (g) of this section.

**MODEL ENABLING LEGISLATION FOR MUNICIPAL OTHER POST
EMPLOYMENT BENEFIT OBLIGATION DEFICIT FUNDING BONDS**

Section 1. (NEW) (*Effective from passage*) (a) For purposes of this section:

(1) "Actuarial valuation" means a determination certified by an actuary, in a method and using assumptions meeting the parameters established by generally accepted accounting principles, of the normal cost, actuarial accrued liability, actuarial value of assets and related actuarial present values for a post-employment health and life benefit plan of a municipality as of a valuation date not more than thirty months preceding the date of issue of the OPEB plan deficit funding bonds, together with an actuarial update of such valuation as of a date not more than three months preceding the date of notification of the Secretary by the municipality, in accordance with subdivision (1) of subsection (c) of this section, of its intent to issue the OPEB plan deficit funding bonds.

(2) "Actuarially recommended contribution" means the annual required contribution of the municipal employer to the post-employment health and life benefit plan of the municipality, as established by the actuarial valuation and determined by an actuary in a method and using assumptions meeting the parameters established by generally accepted accounting principles, provided that the amortization schedule used to determine such contribution shall be fixed and shall have a term not longer than the longest of (A) ten years, or (B) 30 years from the date of issuance of the OPEB plan deficit funding bonds.

(3) "Chief executive officer" means (i) for a municipality as described in section 7-188, such officer as described in section 7-193, (ii) for a metropolitan district, such officer as described in the special act, charter, local ordinance or other local law applicable to such metropolitan district, (iii) for a district, as defined in section 7-324, the president of its board of directors, (iv) for a regional school district, the chairperson of its regional board of education and (v) for any other municipal corporation having the power to levy taxes and to issue bonds, notes or other obligations, such officer as prescribed by the general statutes or any special act, charter, special act charter, home-rule ordinance, local ordinance or local law applicable to such municipal corporation.

(4) "Actuary" means a person who is a member in good standing of the American Academy of Actuaries.

(5) "General obligation" means an obligation issued by a municipality and secured by the full faith and credit and taxing power of such municipality.

(6) "Legislative body" means (A) for a regional school district, the regional board of education, and (B) for any other municipality not having the authority to make ordinances, the body, board, committee or similar body charged under the general

statutes, special acts or its charter with the power to authorize the issue of bonds by the municipality.

(7) "Municipal Finance Advisory Commission" means the Municipal Finance Advisory Commission established pursuant to section 7-394b.

(8) "Municipality" means a municipality as defined in section 7-369 or a regional school district.

(9) "Obligation" means any bond or any other transaction which constitutes debt in accordance with both municipal reporting standards in section 7-394a and the regulations prescribing municipal financial reporting adopted by the Secretary pursuant to said section 7-394a.

(10) "OPEB plan deficit funding bond" means any obligation issued by a municipality to fund, in whole or in part, an unfunded past benefit obligation. "OPEB plan deficit funding bond" shall not include any bond issued by a municipality pursuant to and in accordance with the provisions of subsection (g) of this section to pay, fund or refund prior to maturity any of its OPEB plan deficit funding bonds previously issued.

(11) "Secretary" means the Secretary of the Office of Policy and Management or the Secretary's designee.

(12) "Treasurer" means the Treasurer of the state of Connecticut or the Treasurer's designee.

(13) "Unfunded past benefit obligation" means the unfunded actuarial accrued liability of the post-employment health and life benefit plan determined in a method and using assumptions meeting the parameters established by generally accepted accounting principles.

(14) "Weighted average maturity" means (A) the sum of the products, determined separately for each maturity or sinking fund payment date and taking into account any mandatory redemptions of the obligation, of (i) with respect to a serial obligation, the principal amount of each serial maturity of such obligation and the number of years to such maturity, or (ii) with respect to a term obligation, the dollar amount of each mandatory sinking fund payment with respect to such obligation and the number of years to such payment, divided by (B) the aggregate principal amount of such obligation.

(b) Except as expressly provided in this section, no municipality shall issue any OPEB plan deficit funding bond.

(c) Any municipality which has no outstanding OPEB plan deficit funding bonds, other than an earlier series of such obligations issued under subsection (b) of section 7-374b or this section to partially fund an unfunded past benefit obligation, may authorize and issue OPEB plan deficit funding bonds to fund all or a portion of an unfunded past benefit

obligation, as determined by an actuarial valuation, and the payment of costs related to the issuance of such bonds in accordance with the following requirements.

(1) The municipality shall, within the time and in the manner prescribed by regulations adopted by the Secretary or as otherwise required by the Secretary, notify the Secretary of its intent to issue such OPEB plan deficit funding bonds and shall include with such notice (A) the actuarial valuation, (B) an actuarial analysis of the method by which the municipality proposes to fund any unfunded past benefit obligation not to be defrayed by the OPEB plan deficit funding bonds, which method may include a plan of issuance of a series of OPEB plan deficit funding bonds, (C) an explanation of the municipality's investment strategic plan for the post-employment health and life benefit plan with respect to which the OPEB plan deficit funding bonds are to be issued, including, but not limited to, an asset allocation plan, (D) a three-year financial plan, including the major assumptions and plan of finance for such OPEB plan deficit funding bonds, (E) a comparison of the anticipated effects of funding the unfunded past benefit obligation through the issuance of OPEB plan deficit funding bonds with the funding of the obligation through the annual actuarially recommended contribution, prepared in the manner prescribed by the Secretary, (F) documentation of the municipality's authorization of the issuance of such OPEB plan deficit funding bonds including a certified copy of the resolution or ordinance of the municipality authorizing the issuance of the OPEB plan deficit funding bonds and an opinion of nationally recognized bond counsel as to the due authorization of the issuance of the bonds, (G) documentation that the municipality has adopted an ordinance, or with respect to a municipality not having the authority to make ordinances, has adopted a resolution by a two-thirds vote of the members of its legislative body, requiring the municipality to appropriate funds in an amount sufficient to meet the actuarially required contribution and contribute such amounts to the plan as required in subdivision (3) of subsection (c) of this section, (H) the methodology used and actuarial assumptions that will be utilized to calculate the actuarially recommended contribution, (I) a draft Official Statement with respect to the issuance of the OPEB plan deficit funding bonds and (J) such other information and documentation as reasonably required by the Secretary or the Treasurer to carry out the provisions of this section.

(2) Within ten days following the sale of the OPEB plan deficit funding bonds, the municipality shall provide the Secretary and the Treasurer with a final financing summary comparing the anticipated effects of funding the unfunded past benefit obligation through the issuance of the OPEB plan deficit funding bonds with the funding of the obligation through the annual actuarially recommended contribution, prepared in the manner prescribed by the Secretary.

(3) So long as the OPEB plan deficit funding bonds or any bond refunding such bonds are outstanding, the municipality shall (A) for each fiscal year of the municipality commencing with the fiscal year in which the bonds are issued appropriate funds in an amount sufficient to meet the actuarially required contribution and contribute such amount to the plan and (B) notify the Secretary annually, who shall in turn notify the Treasurer, of the amount and/or the rate of any such actuarially recommended

contribution and the amount and/or the rate, if any, of the actual annual contribution by the municipality to the post-employment health and life benefit plan to meet such actuarially recommended contribution. Notwithstanding the provisions of any other general statute or of any special act, charter, special act charter, home-rule ordinance, local ordinance or local law, in any fiscal year for which the municipality fails to appropriate sufficient funds to meet the actuarially required contribution in accordance with the provisions of this subsection, there shall be deemed appropriated an amount sufficient to meet such requirement. On an annual basis, the municipality shall provide the Secretary and the Treasurer with: (A) the actuarial valuation of the post-employment health and life benefit plan, (B) a specific identification, in a format to be determined by the Secretary, of any changes that have been made in the actuarial assumptions or methods compared to the previous actuarial valuation of the plan, (C) the footnote disclosure and required supplementary information disclosure required by GASB Statement Number 45 with respect to the plan and (D) a review of the investments of the plan including a statement of the current asset allocation and an analysis of performance by asset class.

(4) The municipality shall not issue OPEB plan deficit funding bonds prior to, nor more than six months subsequent to, receipt of the written final review required under subsection (d) of this section. A municipality may renotify the Secretary of its intention to issue OPEB plan deficit funding bonds and provide the Secretary with updated information and documentation in the manner and as described in subdivision (1) of this subsection, and request an updated final review from the Secretary if more than six months will elapse between the receipt of the prior final review of the Secretary and the proposed date of issue of the OPEB plan deficit funding bonds.

(d) Upon receipt of notification from a municipality that it intends to issue OPEB plan deficit funding bonds, the Secretary shall inform the Treasurer and the Municipal Finance Advisory Commission of such notification. The Secretary and the Treasurer shall review the information and documentation required in subsection (c) of this section and within fifteen days shall notify the municipality as to the adequacy of the materials provided and whether any additional information is required. The Secretary and the Treasurer shall issue a written final review to the municipality verifying that the municipality has complied with the provisions of subdivision (1) of subsection (c) of this section and, including any recommendations to the municipality concerning the issuance of OPEB plan deficit funding bonds, not later than thirty days following the receipt of such information and documentation. The Secretary shall file a copy of such final review with the chief executive officer of the municipality and the Municipal Finance Advisory Commission. If the Secretary and the Treasurer fail to provide a written final review to the municipality by the forty-fifth day following the receipt of such information and documentation, such final review shall be deemed to have been received by the municipality.

(e) Except as otherwise provided by this section, the provisions and limitations of this chapter shall apply to any OPEB plan deficit funding bonds issued pursuant to the provisions of this section. Such OPEB plan deficit funding bonds shall be general

obligations of the municipality, and shall be serial bonds maturing in annual or semiannual installments of principal, or shall be term bonds with mandatory annual or semiannual deposits of sinking fund payments into a sinking fund. Notwithstanding the provisions of any other general statute or of any special act, charter, special act charter, home-rule ordinance, local ordinance or local law, (1) the first installment of any series of OPEB plan deficit funding bonds shall mature or the first sinking fund payment of any series of OPEB plan deficit funding bonds shall be due not later than eighteen months from the date of the issue of such series, provided that such first installment shall mature or such first sinking fund payment shall be due not later than the fiscal year of the municipality next following the fiscal year in which such series is issued, and the last installment of such series shall mature or the last sinking fund payment of such series shall be due not later than thirty years from such date of issue, (2) any such OPEB plan deficit funding bonds may be sold at public sale on sealed proposal, by negotiation or by private placement in such manner at such price or prices, at such time or times and on such terms or conditions as the municipality, or the officers or board of the municipality delegated the authority to issue such bonds, determines to be in the best interest of the municipality, and (3) no municipality shall issue temporary notes in anticipation of the receipt of the proceeds from the sale of its OPEB plan deficit funding bonds.

(f) Proceeds of the OPEB plan deficit funding bonds, to the extent not applied to the payment of costs related to the issuance thereof, shall be deposited in the post-employment health and life benefit plan of the municipality to fund the unfunded past benefit obligation for which the bonds were issued, and, notwithstanding any limitations on the investment of proceeds received from the sale of bonds, notes or other obligations set forth in section 7-400, may be invested in accordance with the terms of said post-employment health and life benefit plan, as such terms may be amended from time to time.

(g) A municipality may authorize and issue refunding bonds to pay, fund or refund prior to maturity any of its OPEB plan deficit funding bonds in accordance with the provisions of section 7-370c or, with respect to a regional school district, the provision of section 10-60a, provided, notwithstanding the provisions of said sections 7-370c and 10-60a, the weighted average maturity of such refunding bonds shall not exceed the weighted average maturity of the outstanding OPEB plan deficit funding bonds being paid, funded or refunded by such refunding bonds. The municipality shall notify the Secretary, who shall in turn notify the Treasurer, of its intention to issue refunding bonds pursuant to this subsection, not less than fifteen days prior to the issuance thereof, and shall provide the Secretary with a copy of the final official statement, if any, prepared for the refunding bonds, not more than fifteen days after the date of issue of such bonds.

(h) The Secretary, in consultation with the Treasurer, is authorized to adopt regulations, in accordance with the provisions of chapter 54, as necessary to establish guidelines concerning compliance with the provisions of subsections (c), (d) and (g) of this section.

Sec. 2. Section 7-374 of the general statutes is repealed and the following is substituted in lieu thereof (*Effective from passage*):

(a) As used in this section, 'town' includes each town, consolidated town and city and consolidated town and borough; 'municipality' excludes each town and includes each other independent and dependent political and territorial division and subdivision.

(b) No town and no municipality coterminous with or within such town shall incur any indebtedness in any of the following classes through the issuance of bonds which will cause the aggregate indebtedness, in that class, of such town and of all municipalities coterminous with and within such town, jointly, to exceed the multiple stated below for each class times the aggregate annual receipts of such town and of all municipalities coterminous with and within such town, jointly, from taxation for the most recent fiscal year next preceding the date of issue:

(1) All debt other than debt for urban renewal projects, water pollution control projects, school building projects, as defined in section 10-289, and the funding of an unfunded past benefit obligation, as defined in section 7-374c, two and one-quarter;

(2) debt for urban renewal projects, three and one-quarter;

(3) debt for water pollution control projects, three and three-quarters;

(4) debt for school building projects, as defined in section 10-289, four and one-half;

(5) debt for the funding of an unfunded past benefit obligation, as defined in section 7-374c or in section 1 of this act, three; and

(6) total debt including subdivisions (1), (2), (3), (4) and (5) of this subsection, seven. In the computation of annual receipts from taxation, there shall be included as such receipts interest, penalties, late payment of taxes and payments made by the state to such town and to municipalities coterminous with and within such town under section 12-129d and section 7-528. In computing such aggregate indebtedness, there shall be excluded each bond, note and other evidence of indebtedness (i) issued in anticipation of taxes;

(ii) issued for the supply of water, for the supply of gas, for the supply of electricity, for the construction of subways for cables, wires and pipes, for the construction of underground conduits for cables, wires and pipes, for the construction and operation of a municipal community antenna television system and for two or more of such purposes;

(iii) issued in anticipation of the receipt of proceeds from assessments which have been levied upon property benefited by any public improvement;

(iv) issued in anticipation of the receipt of proceeds from any state or federal grant for which the town or municipality has received a written commitment or for which an allocation has been approved by the State Bond Commission or from a contract with the state, a state agency or another municipality providing for the reimbursement of capital costs but only to the extent such indebtedness can be paid from such proceeds;

(v) issued for water pollution control projects in order to meet the requirements of an abatement order of the Commissioner of Environmental Protection, provided the municipality files a certificate signed by its chief fiscal officer with the commissioner demonstrating to the satisfaction of the commissioner that the municipality has a plan for levying a system of charges, assessments or other revenues which are sufficient, together with other available funds of the municipality, to repay such obligations as the same become due and payable; and (vi) upon placement in escrow of the proceeds of refunding bonds, notes or other obligations or other funds of the municipality in an amount sufficient, together with such investment earnings thereon as are to be retained in said escrow, to provide for the payment when due of the principal of and interest on such bond, note or other evidence of indebtedness. 'Urban renewal project', as used in this section, shall include any project authorized under title 8, the bonds for which are not otherwise, by general statute or special act, excluded from the computation of aggregate indebtedness or borrowing capacity. In the case of a town that is a member of a regional school district, a portion of the aggregate indebtedness of such regional school district shall be included in the aggregate indebtedness of such town for school building projects for the purposes of this section. Such portion shall be determined by applying to the indebtedness of the district, other than indebtedness issued in anticipation of the receipt by the district of payments by its member towns or the state for the operations of such district's schools and of proceeds from any state or federal grant for which the district has received a written commitment or for which an allocation has been approved by the State Bond Commission or from a contract with the state, a state agency or another municipality providing for the reimbursement of capital costs but only to the extent such indebtedness can be paid from such proceeds, such member town's percentage share of the net expenses of such district for the most recent fiscal year next preceding the date of issue payable by such town as determined in accordance with subsection (b) of section 10-51.

Exhibit F

**PROPOSED CHANGES STATUTES WITH RESPECT TO RETIREE BENEFIT
RESERVE FUNDS AND MUNICIPAL PENSION, RETIREMENT OR OTHER
POST-EMPLOYMENT HEALTH AND LIFE BENEFIT SYSTEMS**

Section 1. Subsection (b) of Section 7-374b of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2006):

(b) Any municipality may authorize the issuance of bonds, notes or other obligations in accordance with the provisions of this chapter for the purpose of funding a ~~loss and retiree benefits~~ reserve fund for property or casualty losses established pursuant to section 7-403a.

Sec. 2. Section 7-403a of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2006):

(a) Upon the recommendation of the chief executive officer of a municipality and approval of the budget-making authority of the municipality, the legislative body of any municipality, as defined in section 7-369, may, by a majority vote, create a loss and retiree benefits reserve fund. The provisions of subsection (a) of section 7-450, as amended by Public Act No. 05-202, regarding the establishment of post-employment health and life benefit systems, shall not affect the provisions of this section.

(b) Upon the recommendation of the chief executive officer and approval of the budget-making authority and the legislative body, there shall be paid into such reserve fund (1) amounts authorized to be transferred thereto from the general fund cash surplus available at the end of any fiscal year, (2) amounts raised by the annual levy of a tax for the benefit of such fund, and for no other purpose, provided such tax shall be levied and collected in the same manner and at the same time as the regular annual taxes of the municipality, or (3) with respect to a reserve fund for property or casualty losses, the proceeds of bonds, notes or other obligations issued pursuant to subsection (b) of section 7-374b.

(c) The budget-making authority may, from time to time, direct the treasurer to invest such portion of such reserve fund as in its opinion is advisable, provided: (1) ~~Not that not more than forty per cent of the total amount invested of the reserve fund shall be invested in equity securities and (2) not less than fifty per cent of the total amount invested shall be invested in United States government obligations, and (2) that any portion of such reserve fund not so invested may be invested in bonds or obligations of, or guaranteed by, the state or the United States, or agencies or instrumentalities of the United States agency obligations, United States postal service obligations, in certificates of deposit, commercial paper, savings accounts and bank acceptances, in the obligations of any state of the United States or any political subdivision thereof or the obligations of any instrumentality, authority or agency of any state or political subdivision thereof, provided that at the time of investment such obligations are rated within the top rating categories of any nationally recognized rating service or of any rating service recognized by the~~

Banking Commissioner, and applicable to such obligations, in the obligations of any regional school district in this state, of any municipality in this state or any metropolitan district in this state, provided that at the time of investment such obligations of such government entity are rated within one of the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner, and applicable to such obligations, or in any fund in which a trustee may invest pursuant to section 36a-353, or in investment agreements with financial institutions whose long-term obligations are rated within the top two rating categories of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner or whose short-term obligations are rated within the top rating category of any nationally recognized rating service or of any rating service recognized by the Banking Commissioner, or investment agreements fully secured by obligations of, or guaranteed by, the United States or agencies or instrumentalities of the United States.

(d) The treasurer shall submit annually a complete and detailed report of the condition of such fund to the chief executive officer, the budget-making authority and the legislative body and such report shall be made a part of the annual report of the municipality.

(e) Upon the recommendation of the chief executive officer and the budget-making authority and approval by the legislative body, any part or the whole of such fund: (1) may be used and appropriated to pay only for property or casualty losses and employee retirement benefits, and expenses related thereto, including court costs and attorneys' fees, incurred by the municipality or (2) may be transferred to a trust established to hold and invest the assets of a pension, retirement or other post-employment health and life benefit system of the municipality. Any unexpended portion of such appropriation remaining after such payment, together with all interest accruing on the balance in the fund, shall revert to and be credited to such reserve fund. For the purposes of this section, "property or casualty losses and employee retirement benefits" shall include, but not be limited to, (1) motor vehicle liability, physical damage and collision, (2) loss or damage to, or legal liability for, real or personal property, (3) legal liability for personal injuries or deaths, including but not limited to, workers' compensation and heart and hypertension; and (4) retiree health and life benefits.

(f) Such fund may be discontinued, after recommendation by the chief executive officer and the budget-making authority to the legislative body and upon approval of such body, and such, to the extent there is any remaining portion of such fund, the fund shall be converted into, or added to, a sinking fund to provide for the retirement of the bonded indebtedness of the municipality. If the municipality has no bonded indebtedness, such fund shall be transferred to the general fund of the municipality.

Sec. 3. Subdivision (1) of Section 7-425 of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2006):

(1) "Municipality" means any town, city, borough, school district, regional school district, taxing district, fire district, district department of health, probate district, housing authority, regional work force development board established under section 31-3k,

regional emergency telecommunications center, tourism district established under section 10-397, flood commission or authority established by special act or regional planning agency;

Sec. 4. Subdivision (3) of Section 7-425 of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2006):

(3) "Legislative body" means, for towns having a town council, the council; for other towns, the selectmen; for cities, the common council or other similar body of officials; for boroughs, the warden and burgesses; for regional school districts, the regional board of education; for district departments of health, the board of the district; in the case of a probate district, the judge of probate; for regional planning agencies, the regional planning board; for regional emergency telecommunications center, a representative board; for tourism districts, the board of directors of such tourism district; and in all other cases the body authorized by the general statutes or by special act to make ordinances for the municipality;

Sec. 5. Section 7-450 of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2006):

(a) Any municipality or subdivision thereof may, by ordinance, or with respect to a municipality not having the authority to make ordinances, by resolution adopted by a two-thirds vote of the members of its legislative body, establish pension,- retirement; or other post-employment health and life benefit systems for its officers and employees and their beneficiaries, or amend any special act concerning its pension, retirement; or other post-employment health and life benefit systems, toward the maintenance in sound condition of a pension, retirement; or other post-employment health and life benefit fund or funds, provided the rights or benefits granted to any individual under any municipal pension or retirement system shall not be diminished or eliminated. The legislative body of any such municipality, by resolution adopted by a two-thirds vote of its members, may provide for pensions to persons, including survivors' benefits for widows of such persons, not included in such pension or retirement system.

(b) ~~The provisions of subsection (a)~~ Notwithstanding the provisions of any other general statute or of any special act, charter, special act charter, home-rule ordinance, local ordinance or local law, any municipality or subdivision thereof may, by ordinance, or with respect to a municipality not having the authority to make ordinances, by resolution adopted by a two-thirds vote of the members of its legislative body, establish one or more trusts, or determine to participate in a multi-employer trust, to hold and invest the assets of such pension, retirement or other post-employment health and life benefit system; provide for the management and investment of such system and any such trust, including the establishment of a board or commission or the designation of an existing board or commission for such purposes; provide for the organization of and the manner of election or appointment of the members of such board of commission; and amend such from time to time. Notwithstanding any limitations on the investment of municipal funds set forth in section 7-400, funds held in any such trust may be invested in accordance

with the terms of the pension, retirement or other post-employment health and life benefit plan, as such terms may be amended from time to time. The investment and management of the assets of any such trust shall be in compliance with the prudent investor rule as set forth in section 45a-541 to 45a-541I, inclusive.

(c) The provisions of subsections (a) and (b) of this section shall not operate to invalidate the establishment of any post-employment health and life benefit system duly established prior to October 1, 2005, by any municipality or subdivision thereof, pursuant to the provisions of any public or special act, charter, special act charter, home-rule ordinance, local ordinance or local law, of any post-employment health and life benefit system duly established prior to October 1, 2005, or of any trust duly established or board or commission duly established or designated prior to the effective date of this act with respect to a pension, retirement or other post-employment health and life benefit system.

Sec. 6. Section 7-450a of the general statutes is repealed and the following is substituted in lieu thereof (Effective July 1, 2006):

(a) Any municipality, in which a pension, retirement, or other post-employment health and life benefit system applicable with respect to any employees of such municipality has been established by ordinance or under the authority of any public or special act, charter or special act charter, shall have prepared, no less often than once every five years commencing July 1, 1977, an actuarial evaluation of such system, including evaluation of accumulated or past service liability and the annual liability related to benefits currently earned under such system. Such evaluation shall be prepared by an actuary enrolled by the joint board for the enrollment of actuaries established under Subtitle C of Title III of the federal act entitled Employee Retirement Income Security Act of 1974, and such evaluation shall be prepared on the basis of such assumptions as to interest earnings, mortality experience, employee turnover and any other factors affecting future liabilities under such system, which in the judgment of such actuary represent the best estimate as to future experience under such system.

(b) No ordinance, resolution or other act altering the pension, retirement, or other post-employment health and life benefit system shall be enacted until the legislative body, as defined in subsection (3) of section 7-425, of the municipality has requested and received a qualified cost estimate from such enrolled actuary.

(c) Any municipality subject to the requirements in subsection (a) of this section shall have prepared, within six months following the adoption of any amendment to such system increasing benefits to any extent, in addition to such evaluations as required under subsection (a), a revision of the last preceding evaluation reflecting the increase in potential municipal liability under such system. If such amendment is adopted within one year preceding a date on which an actuarial evaluation is required under subsection (a) of this section, an additional evaluation shall not be required.

(d) Any actuarial evaluation prepared for a municipality in accordance with this section shall be delivered to the chief fiscal officer of such municipality who shall file a certified

copy thereof with the ~~town or city clerk~~ municipal clerk and, with respect to any municipality constituting a multitown district, with the municipal clerk of each such town, for custody in the manner of other public records. A summary of such evaluation, including a statement prepared by the actuary as to the amount of annual payment that should be made for proper funding on the basis of such evaluation with respect to benefits currently earned and the accumulated or past service liability, shall be included in the first annual report of the municipality next following completion of each such evaluation.

Exhibit G**GASB 45 IMPLEMENTATION DATES FOR CONNECTICUT MUNICIPALITIES****GASB 45
IMPLEMENTATION PHASE:**

Phase 1

Phase 2

Phase 3

**EFFECTIVE FOR
FISCAL YEARS BEGINNING:**

July 1, 2007

July 1, 2008

July 1, 2009

Note: Regional School Districts (RSDs) Numbers 4 and 11 have Phase 3 GASB 45 implementation dates. All other RSDs have Phase 2 implementation dates.

Note: Financial reporting for other post employment benefit plans (GASB No. 43) is effective one year earlier from the GASB 45 effective dates.

PHASE FOR GASB 45 IMPLEMENTATION**PHASE FOR GASB 45 IMPLEMENTATION**

MUNICIPALITY	PHASE 1	PHASE 2	PHASE 3	MUNICIPALITY	PHASE 1	PHASE 2	PHASE 3
ANDOVER			X	EAST HARTFORD	X		
ANSONIA		X		EAST HAVEN		X	
ASHFORD			X	EAST LYME		X	
AVON		X		EAST WINDSOR		X	
BARKHAMSTED			X	EASTFORD			X
BEACON FALLS		X		EASTON		X	
BERLIN		X		ELLINGTON		X	
BETHANY		X		ENFIELD		X	
BETHEL		X		ESSEX		X	
BETHLEHEM			X	FAIRFIELD	X		
BLOOMFIELD		X		FARMINGTON		X	
BOLTON		X		FRANKLIN			X
BOZRAH			X	GLASTONBURY		X	
BRANFORD		X		GOSHEN			X
BRIDGEPORT	X			GRANBY		X	
BRIDGEWATER			X	GREENWICH	X		
BRISTOL	X			GRISWOLD		X	
BROOKFIELD		X		GROTON	X		
BROOKLYN		X		GROTON (City of)		X	
BURLINGTON		X		GUILFORD		X	
CANAAN			X	HADDAM		X	
CANTERBURY		X		HAMDEN	X		
CANTON		X		HAMPTON			X
CHAPLIN			X	HARTFORD	X		
CHESHIRE		X		HARTLAND			X
CHESTER			X	HARWINTON		X	
CLINTON		X		HEBRON		X	
COLCHESTER		X		KENT		X	
COLEBROOK			X	KILLINGLY		X	
COLUMBIA			X	KILLINGWORTH		X	
CORNWALL			X	LEBANON		X	
COVENTRY		X		LEDYARD		X	
CROMWELL		X		LISBON			X
DANBURY	X			LITCHFIELD		X	
DARIEN		X		LYME			X
DEEP RIVER			X	MADISON		X	
DERBY		X		MANCHESTER	X		
DURHAM		X		MANSFIELD		X	
EAST GRANBY		X		MARLBOROUGH		X	
EAST HADDAM		X		MERIDEN	X		
EAST HAMPTON		X		MIDDLEBURY		X	

PHASE FOR GASB 45 IMPLEMENTATION				PHASE FOR GASB 45 IMPLEMENTATION			
MUNICIPALITY	PHASE 1	PHASE 2	PHASE 3	MUNICIPALITY	PHASE 1	PHASE 2	PHASE 3
MIDDLEFIELD			X	SHELTON		X	
MIDDLETOWN	X			SHERMAN			X
MILFORD	X			SIMSBURY		X	
MONROE		X		SOMERS		X	
MONTVILLE		X		SOUTH WINDSOR		X	
MORRIS			X	SOUTHBURY		X	
NAUGATUCK		X		SOUTHINGTON		X	
NEW BRITAIN	X			SPRAGUE			X
NEW CANAAN		X		STAFFORD		X	
NEW FAIRFIELD		X		STAMFORD	X		
NEW HARTFORD		X		STERLING			X
NEW HAVEN	X			STONINGTON		X	
NEW LONDON		X		STRATFORD	X		
NEW MILFORD		X		SUFFIELD		X	
NEWINGTON		X		THOMASTON		X	
NEWTOWN		X		THOMPSON		X	
NORFOLK			X	TOLLAND		X	
NORTH BRANFORD		X		TORRINGTON		X	
NORTH CANAAN			X	TRUMBULL		X	
NORTH HAVEN		X		UNION			X
NORTH STONINGTON		X		VERNON		X	
NORWALK	X			VOLUNTOWN			X
NORWICH	X			WALLINGFORD	X		
OLD LYME		X		WARREN			X
OLD SAYBROOK		X		WASHINGTON			X
ORANGE		X		WATERBURY	X		
OXFORD		X		WATERFORD		X	
PLAINFIELD		X		WATERTOWN		X	
PLAINVILLE		X		WEST HARTFORD	X		
PLYMOUTH		X		WEST HAVEN	X		
POMFRET			X	WESTBROOK		X	
PORTLAND		X		WESTON		X	
PRESTON		X		WESTPORT	X		
PROSPECT		X		WETHERSFIELD		X	
PUTNAM		X		WILLINGTON		X	
REDDING		X		WILTON		X	
RIDGEFIELD		X		WINCHESTER		X	
ROCKY HILL		X		WINDHAM		X	
ROXBURY			X	WINDSOR		X	
SALEM			X	WINDSOR LOCKS		X	
SALISBURY			X	WOLCOTT		X	
SCOTLAND			X	WOODBIDGE		X	
SEYMOUR		X		WOODBURY		X	
SHARON			X	WOODSTOCK		X	
				Totals	24	109	37

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